

BEFORE THE TENNESSEE REGULATORY AUTHORITY AT

NASHVILLE, TENNESSEE

January 26, 2001

IN RE:)	
)	
APPLICATION OF KINGSPORT POWER COMPANY)	DOCKET NO.
FOR PERMISSION TO MAKE NOTES TO EVIDENCE)	00-01078
INDEBTEDNESS NOT TO EXCEED \$20,000,000)	

ORDER APPROVING DEBT ISSUANCE

This matter came before the Tennessee Regulatory Authority (the "Authority") upon the Application (the "Application") of Kingsport Power Company ("Kingsport") for permission to make notes to evidence indebtedness not to exceed \$20,000,000. The Directors of the Authority considered Kingsport's Application at a regularly scheduled Authority Conference held on January 9, 2001. Upon consideration of the Application, the Directors made the following findings of fact and conclusions of law:

1. Kingsport is a Virginia corporation with its principal office in the City of Kingsport, Tennessee and is qualified to transact business in the State of Tennessee.
2. Kingsport is in the business of supplying electric power to ratepayers in Tennessee, and is therefore subject to regulation and supervision by the Authority pursuant to Tenn. Code Ann. §§ 65-4-101, *et seq.*
3. Kingsport filed its Application with the Authority on December 5, 2000. In the Application, Kingsport requests the Authority's approval to issue and sell unconditionally without further Order of the Authority, from time to time through June 30, 2005, up to

\$20,000,000 of its unsecured promissory note or notes to one or more commercial banks, financial institutions, or other institutional investors. This issuance and sale will take place pursuant to one or more term loan agreements or note purchase agreements (collectively “Proposed Agreement”). Representative samples of the Proposed Agreement are attached to the Application and are on file as Exhibits A-1 and A-2.

4. As specific means of effecting the proposed debt issuance, Kingsport requests Authority approval to enter into a definitive agreement with a bank or banks, in the form of the Proposed Agreement, subject to the conditions, restrictions, and limitations specified in the Application. Kingsport further requests Authority approval to enter into, perform, purchase, and sell financial instruments intended to reduce or manage the volatility of interest rates, including but not limited to interest rate swaps, caps, floors, collars, and forward agreements or any other similar agreements. Kingsport also requests Authority approval to enter into interest rate hedging transactions with respect to anticipated debt offerings.

5. The Application states that the proceeds of this debt issuance will be used to reduce Kingsport’s maturing long and short-term unsecured indebtedness. The proposed financing will bear interest at a fixed rate, a fluctuating rate, or some combination of fixed and fluctuating rates. .

6. Under Tenn. Code Ann. § 65-4-109, the Authority is directed to approve the proposed debt issuance if it finds that such proposed debt issuance is to be made in accordance with the law and the Authority approves the purpose of such issuance.

7. After careful consideration of the entire record in this matter and all applicable rules and statutes, particularly the provisions of Tenn. Code Ann. § 65-4-109, the Authority

found that the debt issuance proposed by Kingsport will be in the public interest and is for a proper purpose, and voted unanimously to approve the Application.

IT IS THEREFORE ORDERED THAT:

1. Kingsport Power Company is authorized from time to time through June 30, 2005 to borrow up to \$20,000,000 pursuant to one or more term loan agreements or note purchase agreements, and to execute a note or notes substantially in the form of its unsecured promissory note or notes in an amount not to exceed \$20,000,000 to evidence the borrowings to be made pursuant to one or more term loan agreements or note purchase agreements;

2. Kingsport Power Company is authorized to enter into a definitive agreement with a bank or banks, in the form of one or more term loan agreements or note purchase agreements, subject to the conditions, restrictions, and limitations specified in the Application on file with the Authority;

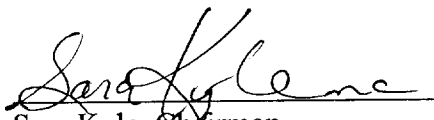
3. Kingsport Power Company is authorized, in conjunction with the debt issuance approved herein, to enter into, perform, purchase, and sell financial instruments intended to reduce or manage the volatility of interest rates, including, but not limited to, interest rate swaps, caps, floors, collars, and forward agreements or any other similar agreements;


4. Kingsport Power Company is authorized, in conjunction with the debt issuance approved herein, to enter into interest rate hedging transactions with respect to anticipated debt offerings;

5. The authorization and approval given herein should not be used by any party, including, but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risk involved to a purchaser of any Kingsport Power Company securities. Nothing contained herein creates or is intended to create any liability on the part of the

Tennessee Regulatory Authority, the State of Tennessee, or any political subdivision thereof for the transaction approved herein; and

6. Any party aggrieved with the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from and after the date of this Order.


Sara Kyle, Chairman


H. Lynn Greer, Jr., Director


Melvin J. Malone, Director

ATTEST:


K. David Waddell, Executive Secretary